

Message Text

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PAGE 01 NEW DE 10533 101418Z

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ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 COME-00 SCI-06 AEC-11 AID-20 IO-13

ACDA-19 OMB-01 TRSE-00 IGA-02 CIAE-00 INR-10 NSAE-00

RSC-01 OPIC-12 XMB-07 DRC-01 /127 W

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R 101302Z SEP 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6675

INFO AMCONSUL CALCUTTA

LIMITED OFFICIAL USE NEW DELHI 10533

E.O. 11652: N/A

TAGS: BGEN, IN, US

SUBJ: TECHNICAL COLLABORATION, MARLEY CO AND PAHARPUR COOLING
TOWERS

1. IN AREAS OF ENGINEERING AND STEEL FABRICATION THE GOI HAS
CONSISTENTLY STUCK TO A 3 PERCENT UPPER LIMIT FOR ROYALTY
PAYMENTS. RECENT EXAMPLES: ABEX CORPORATION (HIGH ALLOY STEEL
CASTINGS) 3 PERCENT; KOYO OF JAPAN (BALL AND ROLLER BEARINGS)
3 PERCENT; YASKAWA OF JAPAN (EDDY CURRENT CLUTCHES) 3 PERCENT;
AND MCNEIL CORPORATION (TIRE CURING PRESSES) 3 PERCENT.
SOME EXCEPTIONS TO THIS GENERAL RULE HAVE BEEN MADE IN THE CASE
OF TECHNOLOGY INTENSIVE INDUSTRIES SUCH AS PETROCHEMICALS,
ELECTRONIC AND PRECISION INSTRUMENTATION, SOPHISTICATED IND-
USTRIAL MACHINERY, AND CERTAIN DRUGS AND PHARMACEUTICALS.
HOWEVER, APPROVAL OF ROYALTIES IN EXCESS OF 3 PERCENT ARE BE-
COMING INCREASINGLY INFREQUENT AND THE COST/BENEFIT FACTOR
HAS TO BE OVERWHELMINGLY IN INDIA'S FAVOR TO EXACT THE HIGHER
RATE.

2. IN ADDITION TO PAHARPUR THERE ARE TWO OTHER INDIAN
MANUFACTURERS OF INDUSTRIAL COOLING TOWERS (AIR CONDITIONING
CORPORATION OF CALCUTTA AND LARSEN AND TOUBRO OF BOMBAY)
AND THEIR MANUFACTURING PROGRAMS ARE BASED ON INDIGENOUSLY
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PAGE 02 NEW DE 10533 101418Z

DEVELOPED KNOW-HOW. ANOTHER MANUFACTURING LICENSE APPLICATION

(BY VOLTAS LIMITED OF BOMBAY) BASED ON LOCAL KNOW-HOW IS CURRENTLY BEING PROCESSED BY THE GOI.

3. COMMENT: IN 1968, GOI PLACED COOLING TOWERS ON LIST OF "INDUSTRIES WHERE NO FOREIGN COLLABORATION (FINANCIAL OR TECHNICAL) IS CONSIDERED NECESSARY." ASSUMING THAT GOI PERMITS RENEWAL OF TECHNICAL COLLABORATION AGREEMENT IT IS HIGHLY DOUBTFUL THAT ANYTHING MORE THAN A 3 PERCENT ROYALTY FIGURE WOULD BE ALLOWED. GOI ALSO UNLIKELY TO AGREE TO DUAL RATES FOR EXISTING AND NEW TECHNOLOGY AS PROPOSED BY MARLEY BECAUSE OF ADMINISTRATIVE PROBLEMS INVOLVED IN SEPARATING OLD KNOW-HOW FROM NEW. WE DOUBT THAT MEEKER VISIT TO NEW DELHI WOULD MAKE A DENT IN THE GOI POSITION.
SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE10533
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730945/aaaabhet.tel
Line Count: 75
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by martinml>; APPROVED <10-Jan-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TECHNICAL COLLABORATION, MARLEY CO AND PAHARPUR COOLING TOWERS
TAGS: BGEN, IN, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005